

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 96-281-E - ORDER NO. 96-769
NOVEMBER 14, 1996

IN RE: Petition of South Carolina Electric) ORDER
& Gas Company for Approval of Agreement) RULING ON
Between SCE&G and The City of Charleston,) SCE&G
South Carolina for Cessation of its Transit) CHARLESTON
Operations in the City and Transfer of) TRANSIT
Equipment and Inventory to the City for) SYSTEM
use in undertaking the Provision of the)
Transportation Services.)

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition of South Carolina Electric & Gas Company (SCE&G) for approval of an agreement between SCE&G and the City of Charleston (the City), South Carolina for cessation of its transit operations in the City and transfer of equipment and inventory to the City for use in undertaking the provision of the transportation services. The Petition requests approval for a) "Payment and Transfer Agreement" by and between the City and SCE&G; b) a 30-year electric franchise ordinance and the related Electric Utility Relocation Agreement with the City; and c) authorization to include in Electric Plant-In-Service, the value of the cash payments, and of the real and personal property, and account assets which comprise SCE&G's consideration for the ordinance. The Petition was filed pursuant to S. C. Code Ann. §58-5-10 (1976) et. seq., and Section 58-27-1300

(as amended by Act No. 349, Statutes at Large, May 29, 1996).

The Commission's Executive Director instructed SCE&G to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of SCE&G's Petition and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. SCE&G complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. Petitions to Intervene were filed by John C. Ruoff, Ph.D.; South Carolina Fair Share; and the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

This Commission, on September 19, 1996, thereafter issued Order No. 96-657, which held that a public hearing should be held on the Company's Petition after due notice, and that SCE&G was ordered to produce a witness or witnesses with regard to the transfer. The Order also stated that SCE&G could proceed with the transfer of the operation of the Charleston transit system at the parties' own risk, subject to Commission action. The Commission held in Order No. 96-657 that the subject of the hearing to be held would be the relief requested and the matters contained in SCE&G's Petition for Relief.

A hearing was commenced on October 31, 1996 at 10:30 a.m. in the Commission's Hearing Room. The Honorable Guy Butler, Chairman, presided. SCE&G was represented by Sarena D. Burch, Esquire, Francis P. Mood, Esquire, and Steve A. Matthews, Esquire;

John C. Ruoff, Ph.D., appeared pro se; South Carolina Fair Share was represented by Robert Guild, Esquire and Susan B. Berkowitz, Esquire; the Consumer Advocate was represented by Hana Pokorna-Williamson, Esquire; and the Commission Staff (the Staff) was represented by F. David Butler, General Counsel.

At the commencement of the hearing, a Stipulation was presented, which represented an agreement among SCE&G, John C. Ruoff, South Carolina Fair Share, and the Consumer Advocate. The Stipulation was admitted into evidence as Hearing Exhibit #1 in this proceeding. Basically, the Stipulation noted that the Intervenor took no position with regard to whether a) SCE&G should be allowed to include in Electric Plant-In-Service, Account 302-Franchises and Consents the value of the payments and transfers to be made by SCE&G to the City, and amortization of that amount in equal monthly installments over thirty (30) years, and whether SCE&G should be allowed to transfer those assets that are common property of both the SCE&G transit system in Charleston and the electric utility.

Further, the parties stipulated and agreed that the approval by the Commission of any portion of the Petition does not constitute a binding determination of whether the transfer is prudent or the accounting treatment is appropriate for any future ratemaking purposes, and further, that the Intervenor shall retain the right to challenge the prudence of the transfer, the reasonableness of the value of the payments, transfers, and other costs to be made or incurred by SCE&G and the accounting treatment

thereof. Further, SCE&G agreed that it would not argue in subsequent ratemaking proceedings that such approval in this Docket was precedential or binding.

In addition, SCE&G agreed in the Stipulation to withdraw its request for a) approval of the "Payment and Transfer Agreement by and between the City and SCE&G dated August 22, 1996," and for approval of the 30-year electric franchise ordinance and related Electric Utility Relocation Agreement. In addition, Intervenor Ruoff and the Intervenor Consumer Advocate both agreed to withdraw certain motions filed by them in this Docket.

The Commission has examined the terms of this Stipulation, and we believe that it is fair and reasonable. We therefore approve it and adopt it as a portion of this Order. It is attached to this Order as Hearing Exhibit #1.

SCE&G presented the testimony of Belton T. Zeigler, Esquire, at the hearing, who went over the terms of the Stipulation as stated heretofore, and noted that the only matters before the Commission were the cessation of transit operations by SCE&G in the City, the transfer of property and inventory to the City, and the accounting treatment proposed by the Company to amortize certain amounts. Zeigler noted that the agreement would essentially allow the City to take over the transit system in that City and adjacent areas presently provided by SCE&G. Zeigler noted that payments of the consideration in the agreement by the Company would be in seven (7) installments, and would include the land and structure on Leeds Avenue in Charleston, the Company's

interest in old and new buses, inventory, equipment, and other incidental costs such as surveys. Zeigler noted at the present time, SCE&G was still operating the system. Zeigler stated that SCE&G's total costs for the agreement was \$32,011,373. Zeigler noted that a 30-year electric franchise had been obtained for SCE&G with the City, and that a construction of a transmission line would be completed in the West Ashley area. Further, Zeigler noted that this line would be installed underground.

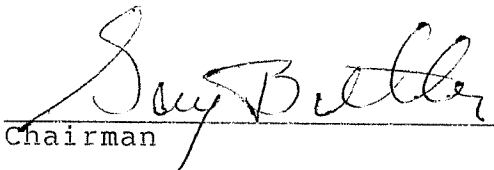
The Commission has considered the testimony of the witness for SCE&G, the Stipulation and the entire record of this case, and we believe that the transfer of the assets co-owned between the transit system and the electric system should be granted, is fair and reasonable, and that cessation of operation of the buses in Charleston and adjacent areas by SCE&G should be approved, pursuant to the Company's arrangement with the City to continue the operation of the system. Further, we believe that the accounting treatment proposed in which the value of cash payments and of real and personal property, and accounting assets which comprise the Company's consideration for the City's ordinance, should be allowed to be included in Electric Plant-In-Service, Account 302 for accounting purposes, and the proposed amortization should be approved. We do agree that this shall not be precedential with regard to the prudence of this transfer, the reasonableness of the value of the payments, transfers, and other costs made or incurred by SCE&G, and that the prudence of these costs may be challenged at a later date by the Intervenor, or

other parties who may intervene in subsequent rate cases. A determination as to the proper ratemaking treatment will be deferred until a future ratemaking proceeding.

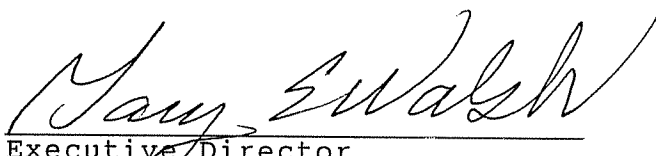
We believe that SCE&G's transfer of these assets is in the public interest, and that the accounting treatment as requested is appropriate in this instance, the latter being non-binding as to a later challenge to prudence.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

Deputy

(SEAL)